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1 of 1 DOCUMENT

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## THE WALL STREET JOURNAL

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**HEADLINE:** Officials Fired At Dow Chemical For Secret Talks --- Two Accused of Seeking Outside Buyout Deal;  
A Tip From J.P. Morgan

**BYLINE:** By Jeffrey Ball, Dennis K. Berman and Joann S. Lublin

**BODY:**

The tip came from a phone call.

Dow Chemical Co. Chairman and Chief Executive Andrew Liveris was surprised to hear what the caller, someone he trusted implicitly, had to report. Two Dow veterans -- one a board member and the other a top executive -- had been talking to investors from Oman about purchasing the 110-year-old company and taking it private in a leveraged buyout, according to a person with knowledge of the call.

There was one big problem: The company's board hadn't authorized any such discussions, Dow says.

Yesterday, Dow, the nation's biggest chemical company -- with 2006 revenue of almost \$50 billion -- acted swiftly. It fired the duo -- senior adviser J. Pedro Reinhard, a director and former chief financial officer, and Romeo Kreinberg, an executive vice president -- from their jobs at the company. The company said it took the move "with full support of the board."

Mr. Reinhard remains a company director for now.

Dow got confirmation of the pair's alleged initiative from someone at J.P. Morgan Chase & Co., according to people familiar with the matter. Discussions between Dow and J.P. Morgan over the issue included a conversation between Mr. Liveris and J.P. Morgan Chief Executive James Dimon, these people said.

Both Messrs. Reinhard and Kreinberg had earlier been passed over for top jobs at Dow. But until this week, by all appearances, they remained in the company's good graces. Biographies of both men on the company's Web site recounted their decades-long rise to increasingly important jobs.

Officials Fired At Dow Chemical For Secret Talks --- Two Accused of Seeking Outside Buyout Deal; A Tip From J.P. Morgan The Wall Street Journal April 13, 2007 Friday

Their dismissals follow a history of management turmoil at Dow and come amid an aggressive drive by the company to remake itself to boost long-term profitability. That effort rests squarely on deal making. Though Dow says it has no interest in selling itself, it is pushing hard to ink a series of joint ventures in its commodity-oriented basic-chemicals business, particularly in Asia and the Middle East.

This week's drama at Dow lays bare the tensions rippling through a growing number of corporate boardrooms. Leveraged-buyout firms and other private investors are sitting on an estimated \$1.5 trillion of spending power, cash that they are increasingly willing to train on business icons around the globe, from radio giant Clear Channel Communications Inc. to French retailer Carrefour SA to Alinta Ltd., a leading Australian utility.

As gatekeepers for these deals, managements and boards are thrust into increasingly fraught positions. Top executives often are recruited by would-be buyers, who want to exploit the expertise and connections of existing management. And suitors sometimes promise big paydays, which typically come in the form of an ownership stake -- potentially 1% to 2% for a company of Dow's size.

But these inducements carry a big danger for the companies involved, warns James Woolery, an attorney at Cravath, Swaine & Moore in New York. "It's the absolute worst way to negotiate as a public company," he said. "Divided boards lose in negotiations and become poisoned. It's like having someone from an opposing team in your locker room during half time."

Rumors about an effort to take Dow private had been circulating for weeks. On Sunday, a London newspaper reported word of a possible buyout proposal. On Monday, Dow's stock jumped, sending company executives scrambling for answers.

That afternoon, Dow issued a news release denying the rumors. And on Tuesday, Mr. Liveris, the company's CEO, ducked out of a management meeting to do a round of interviews amplifying those denials.

"These rumors -- I don't know where they're coming from," he said. "There are no discussions going on."

Behind the scenes and unbeknownst to Mr. Liveris, however, Messrs. Reinhard and Kreinberg had been trying to arrange an acquisition of the company, said Chris Huntley, a Dow spokesman. The buyout discussions occurred in "multiple meetings in multiple months in multiple locations," and "with a number of different parties," including more than one investment bank, Mr. Huntley said.

Mr. Reinhard didn't respond to a message left on his cellphone. The drama unfolded so quickly that even Mr. Reinhard's wife was in the dark. "To tell you the truth, I found out on the TV," she said when reached at her home in Key Biscayne, Fla. She said she hadn't yet talked to her husband about his dismissal, but that the behavior that was cited for it didn't sound like him.

Mr. Kreinberg, contacted at his home by telephone, told the Associated Press there was no truth to the company's allegations and that he has sought the advice of legal counsel. "The behavior of the company is very unusual, and the accusations have absolutely no substance and are highly damaging to my reputation after 30 years of employment," he said.

Several governance experts said it was highly unusual for a major U.S. company to fire officials so swiftly for pursuing a sale without permission. On the other hand, says Paul Lapidus, director of the Corporate Governance Center at Kennesaw State University in Kennesaw, Ga., "there's no better way to send a clear message that certain behavior is unacceptable."

For years, Dow, based in Midland, Mich., was regarded as a sleepy company from a sleepy town led by a collegial executive team. Throughout the late 1990s, under Chief Executive William Stavropoulos, Dow's financial performance was relatively stable. On Wall Street, Mr. Stavropoulos's three executive vice presidents were better known than he was.

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"I look at it as the four Musketeers: one for all and all for one," Mr. Stavropoulos said of himself and that trio in a 1999 interview.

One of the three was Mr. Reinhard, the company's chief financial officer. Mr. Reinhard by then already had spent a quarter-century at Dow, having joined the company in Brazil in 1970 and risen through a succession of financial posts.

In 2000, Mr. Stavropoulos turned 60 years old, and retired, as is traditional for a Dow CEO. He stayed on as chairman. He was replaced as CEO not by Mr. Reinhard, who associates say wanted the top job, but by another member of Mr. Stavropoulos's triumvirate: Michael Parker.

Mr. Reinhard "was one of the leading candidates" for CEO in 2000 but lost the succession race because Mr. Parker had more operational experience, a Reinhard acquaintance recollects. Mr. Reinhard "gritted his teeth" and stayed put because he felt so loyal to Dow, this person said.

In 2001 and 2002, Dow's earnings plummeted. In December 2002, Mr. Parker was pushed out as CEO. Mr. Reinhard was too close to retirement age to raise his hand for the job a second time. Mr. Stavropoulos again assumed the CEO post. Two years later, Mr. Stavropoulos retired again as CEO, and Mr. Liveris won the job.

Among others passed over during Mr. Liveris's rise was Mr. Kreinberg, who had been in the running for the job of chief operating officer when Mr. Liveris got that post in 2003. Mr. Kreinberg joined the company in 1977 and spent much of the next 20 years in jobs throughout Europe.

On Monday, as buyout rumors sent Dow's stock higher, the company's board and top executives, including Mr. Liveris, were already in Midland for a previously scheduled round of meetings. Mr. Liveris and Geoffrey E. Merszei, Dow's chief financial officer, began making phone calls "to contacts they have" to determine whether there was "any fragment of fact" behind the rumblings, said Mr. Huntley, the Dow spokesman. That afternoon, Dow issued a news release denying the rumors.

Buyout giant Kohlberg Kravis Roberts & Co., one of the firms named in the London press reports, had at no point been in discussions with Dow, said one person close to the New York-based firm. The group had in fact been approached by a bank, this person said, but quickly decided against any involvement in a takeover.

On Tuesday, in interviews, Mr. Liveris repeated Dow's denials of any buyout plan. But, later Tuesday, Dow executives received a call from a person at J.P. Morgan, which had been consulted in the alleged buyout discussions involving Messrs. Reinhard and Kreinberg, according to people familiar with the situation.

On Wednesday, Dow directors, still in Midland, met to discuss the situation. Board members also discussed whether to withdraw Mr. Reinhard's proposed re-election at the company's May 10 annual meeting. Dow's proxy, issued late last month, lists him among the nominees.

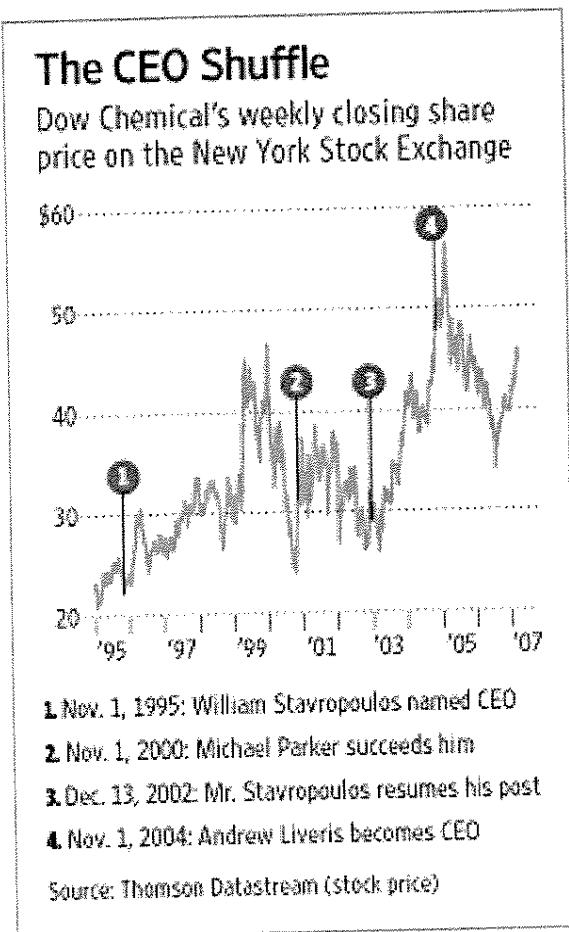
As of Wednesday night, the board still hadn't agreed to pull the Reinhard nomination. That action seems likely, though it might require a revised proxy. "You can't have a director going off without full authorization from the company and negotiate the sale of the company," said another person familiar with the matter.

The board decided to fire Mr. Kreinberg. It also fired Mr. Reinhard from his job as Dow senior adviser. But Mr. Reinhard hadn't resigned his board post as of yesterday afternoon, Dow's Mr. Huntley said. Unless Mr. Reinhard resigns before Dow's coming annual meeting, Mr. Huntley said, the company will recommend then that shareholders replace him.

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Susan Warren and Robin Sidel contributed to this article.

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**HEADLINE:** Dow chief defends sacking of executives CHEMICALS

**BYLINE:** By FRANCESCO GUERRERA

**DATELINE:** NEW YORK

**BODY:**

The chief executive of Dow Chemical yesterday defended the abrupt sackings of two high-level employees over alleged talks with a potential bidder and sought to quash further speculation of a private equity takeover of the Dollars 43bn group.

In his first comments since last week's dismissal of Pedro Reinhard, a board member, and Romeo Kreinberg, an executive vice-president, Andrew Liveris, Dow's chief executive, told the Financial Times that the evidence against the two was "irrefutable".

Dow, the largest chemical group in the US, has accused the two of holding "unauthorised" discussions with a potential bidder, believed to be a consortium led by investors from Oman, without the knowledge of the board and Mr Liveris.

The affair at one of America's largest industrial groups has stunned the US corporate world, sparking a debate over the potential conflicts created by buy-out groups' practice of approaching company executives with bid proposals.

The two former Dow employees have denied any wrongdoing and Mr Reinhard has threatened to take legal action against the company. However, Mr Liveris said the rapid dismissal of Mr Kreinberg and Mr Reinhard was the "right thing to do" for the company and its shareholders.

"We had irrefutable evidence this was inappropriate behaviour," he said.

Asked whether he was confident in the quality of the evidence, he said: "Capital Y, capital E, capital S. Yes. Why would we act in any other way? We were absolutely clear".

Mr Liveris declined to name his sources but they are believed to include senior bankers at JPMorgan, one of Dow's closest advisers, which is also understood to have held preliminary talks with the Omani-led consortium late last year.

He deflected questions about his personal feelings towards the two fired employees.

"I am paid to be a professional," he said. "I am sure a lot of people have learnt lessons from this."

Dow chief defends sacking of executives CHEMICALS Financial Times (London, England) April 19, 2007 Thursday

Mr Liveris who, prior to last week, had denied market rumours of a buy-out, sought to quash further takeover talk by arguing that private equity ownership would not benefit Dow.

"Logical people understand that you cannot run this company any more low-cost and any more efficiently," he said, pointing to his on-going efforts to reduce Dow's reliance on commodity products.

Mr Liveris said the strategy was exemplified by a joint venture with Libya's National Oil Corp to expand and run a plastics factory in the country.

The deal, announced yesterday, enables Dow to become the first US chemical company to set up in Libya since the US ended two decades of sanctions against the regime of Muammar Gadaffi in 2004.

**LOAD-DATE:** April 18, 2007



## Dow Case on Ex-Executives Is Watertight, Liveris Says (Update1)

By Jack Kaskey

April 18 (Bloomberg) -- Andrew Liveris, chief executive officer of Dow Chemical Co., said ``multiple sources'' confirmed that the two executives fired last week tried to sell the company without authorization.

Liveris said today in a telephone interview he has had ``not a minute of doubt'' that the company took ``absolutely appropriate action'' in firing J. Pedro Reinhard, a board member and former chief financial officer, and Romeo Kreinberg, head of the specialty plastics and chemicals units. He declined to say what evidence he has.

``I'm not going to incriminate anyone in the press,'' Liveris said. ``How we found out about it is absolutely watertight: Multiple sources, multiple locations over multiple time frames.''

Chris Huntley, a spokesman for Midland, Michigan-based Dow, said the company learned Reinhard and Kreinberg were shopping the company from a ``highly credible person'' on April 10, two days before they were fired. The company subsequently received confirmation from others that the pair engaged in inappropriate talks at a number of places over several months, he said.

``Unfortunately for them, they made a tragic mistake,'' Liveris said. ``The management team took absolutely appropriate action in terminating their employment.''

Kreinberg, 56, and Reinhard, 61, both deny they conspired with banks and foreign governments to acquire Dow, the largest U.S. chemical company. Liveris fired the two after confronting them with the allegations April 12 at Dow headquarters. Kreinberg led units responsible for 53 percent of Dow's profit last year and Reinhard served for a decade as CFO until 2005.

### Buyout Speculation

The firings intensified 12 weeks of speculation the chemical maker might be bought and broken up. The Dow board on April 9 reiterated support for Liveris. Dow's shares fell 22 cents to \$45.30 today in New York Stock Exchange composite trading. They have gained 14 percent this year.

``We are not going to give up our integration, because we can access asset-light deals that let us have our cake and eat it too,'' Liveris said.

Kreinberg's lawyer, Stanley S. Arkin, said in an interview yesterday that he is trying to find out what evidence the company had to fire his client. Liveris may be using the excuse of unauthorized talks ``to get rid of people with whom he may have had a personal problem,'' Arkin said.

Arkin, a senior partner at New York-based Akrin Kaplan, defended former Gemstar-TV Guide International Inc. Chief Executive Officer Henry Yuen against claims he inflated the company's revenue and misled investors.

Reinhard, has retained Gary Naftalis of New York-based Kramer Levin Naftalis & Frankel.

Naftalis was named one of America's 100 most influential lawyers by the National Law Journal last year after he defended Michael Eisner, former chief executive officer of Walt Disney Co., in a shareholders suit related to the firing of former president Michael Ovitz.

To contact the reporter on this story: Jack Kaskey in New York at [jkaskey@bloomberg.net](mailto:jkaskey@bloomberg.net) .

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